

**MINUTES
OF THE SPECIAL MEETING OF THE
EDINA HOUSING AND REDEVELOPMENT
AUTHORITY HELD AT CITY HALL
JUNE 8, 1999 - 7:00 P.M.**

ROLLCALL Answering rollcall were Commissioners Faust, Hovland, Kelly and Vice Chair Maetzold.

Vice Chair Maetzold explained the purpose of the special meeting was to discuss and hear public testimony regarding the West Metropolitan Education Program (WMEP) proposed development for the Kunz/Lewis property. He added the Kunz/Lewis Property is a unique parcel of land that needs to be developed with a significant land use.

Executive Director Hughes reviewed that the HRA, April 12, 1999, issued a non-binding letter of intent regarding a project involving the WMEP magnet school, along with a public library, bus garage, senior center and private development north of Eden Avenue. The letter of intent provided that the project was contingent upon WMEP obtaining "from the Minnesota State Legislature at its 1999 Session all necessary funding approvals for construction of its portion of the Project." However, the 1999 Legislature only partially funded the Project so WMEP only partially complies with the letter of intent. He continued stating that some legislative conferees from the senate side bonding committee indicated funding will be forthcoming in 2000, however, there are no guarantees. Total allocations amount to \$7.8 million from the 1998 and 1999 legislature with ten million unfunded at this time.

The 1999 Legislature also imposed new restrictions on the use of tax increment financing with respect to "social, cultural and recreational" facilities. Under the new law, TIF cannot be used to finance such facilities after January 1, 2000, unless done so pursuant to binding contracts or a letter of intent with a developer or contractor entered into before January 1, 2000. Staff believes that libraries, senior centers and community centers are likely affected by these new restrictions.

Executive Director Hughes briefly outlined the alternatives staff believes open to the HRA:

1. Take no action at this time, wait until the next legislative session.
2. Sell the Kunz/Lewis property to WMEP at an agreed upon price, but retain reversionary right triggered by: failure to obtain funding in the 2000 Legislature or inability to obtain necessary rezoning, conditional use approval, or redevelopment agreement. This would allow work to begin on site improvements, including demolition and site clean up.
3. Reject the WMEP proposal and direct staff to solicit "final" proposals for the private development of the property and potentially some adjacent properties. The City could specify that the private development include a senior center and library.
4. Direct staff to develop plans for a redevelopment of the properties exclusively with public uses such as a library, senior center and gymnasiums, or activity center.

Commissioner Hovland noted that the HRA had been put in a awkward position because of the partial funding from the legislature. He asked how the City could avoid being hurt if the project were to proceed as described in alternative two and the 2000 legislature did not fund the remaining ten million needed by WMEP. Executive Director Hughes replied that the law provides that TIF cannot be used after January 2000, unless commitments are in effect. However, the law does not say the commitments must be binding. He continued stating that it could be possible to fashion a letter of intent with the Library and Senior Center, but that it would be subject to interpretation of the new law. Attorney Gilligan added that the law specifies that a letter of intent

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does qualify as a commitment, however, in his opinion, the City should attempt to have a contract for redevelopment.

Commissioner Hovland asked if the contract could be unilaterally assignable allowing the City to switch developers if WMEP funding were not obtained in 2000. Attorney Gilligan replied that the more commitments in place the better, however, he believed allowing assignment would be possible. Attorney Gilligan reminded that the legislature will meet in 2000 and could enact additional TIF legislation that would affect this development.

Commissioner Hovland asked if alternative four were selected was there an estimate for the cost of pursuing a totally public project. Executive Director Hughes replied that preliminary estimates exist for a senior center and a library, but no estimates have been developed for the other components that might be considered. Commissioner Hovland asked if the development could be totally developed with TIF funding or would other sources of funding be necessary. Executive Director Hughes answered that without private development generating additional TIF increment other sources of funding would be necessary, based on the cash flow analysis developed in conjunction with the WMEP proposal.

Commissioner Faust pointed out that alternative two as stated only includes funding for a portion of the needed land. She asked who would pay for the Noonan and TAGs buildings, and expressed concern that the City condemn the properties before finding out whether the WMEP project would or could proceed. Executive Director Hughes acknowledged that this was a question that needed to be decided. The HRA must decide whether to buy just the WMEP property (that has already been purchased) or if it should move forward and buy additional properties. Commissioner Faust added that this was one of the questions she heard asked at the legislature when the WMEP project was discussed and it still has not been answered. Executive Director Hughes noted that the feasibility of the HRA acquiring the additional properties depends upon a taxable development occurring north of Eden Avenue.

Commissioner Hovland asked if there was any indication from WMEP if they would be willing to pay past and future holding costs for the land needed to accomplish their project. Executive Director Hughes replied that there have not been discussions in that level of detail.

Vice Chair Maetzold asked whether the HRA would have reversionary right or obligation to purchase the land under alternative two. Would the price be equal to the price WMEP had invested to develop the land. Executive Director Hughes explained that the property would revert to the HRA for the same prices as paid by WMEP. All other related costs such as carrying costs or site development would be WMEP's risk and obligation.

Public Comment

Kay Bach, 6625 Dakota Trail, stated she was speaking as the Chair of the Edina Senior Center Advisory Board. Ms. Bach expressed concern about moving ahead with the WMEP Plan as proposed. She said that the seniors want the Senior Center and Library built on the Kunz/Lewis site very much, however, they can not see how the plan as proposed would work because too much would be squeezed on the site with no room for expansion. Ms. Bach said the seniors fear parking problems because of crowding on the site. The seniors believe that once a center is built and has become known it will grow and attract additional members. Ms. Bach concluded that personally she would support option four as previously described, but could also see that alternative three would work. In her opinion there must be land in Edina where the bus garage could be relocated.

Andy Otness, 5433 Kellogg Avenue, stated she is the Edina League of Women Voters President. Ms. Otness noted the League's concern that revenue streams and costs are not

adequately delineated for any of the four alternatives to move forward. She asked that additional information on the revenue streams and costs be published for whichever alternative is selected.

Dave Peterson, 5236 Edenmoor, stated his back yard will back up to the proposed WMEP's playground. Mr. Peterson asked where the land is going to come from to support 600 children playing. He said he hates to lose the neighborhood park. Mr. Peterson was also not too excited to have gymnasiums located in his back yard. When the site was a manufacturing company, neighbors were kept awake many nights and Mr. Peterson did not see the WMEP proposal as an improvement. Mr. Peterson stated in his opinion the site is too small for what is being proposed. Bill Beard, The Beard Group, WMEP's Development Coordinator, noted that there are two areas of programming for recreational use where children can play. One area is the park and the other is the gymnasiums. Setter Lindstrom's analysis says the size ratio is adequate for the proposal. He added these issues would be dealt with in more detail at the next step.

Unidentified Women, asked if the playground area was proposed to be fenced. Mr. Beard replied that it was not planned to be fenced, but that would be addressed during the design stage of the project.

Ed Noonan, 5244 Eden Circle, stated they have put up with an eyesore for long enough. The Kunz/Lewis site condition affects his leaseholders. He has waited over six years with a vacant building, tree storage, snow storage and fill storage. Mr. Noonan urged that the site be cleaned up even if no decision is made as to its future development.

Jim Wadsworth, general managing partner of TAGS, 5201 Eden Circle, explained that timing is crucial to his investment. His leases are expiring soon and he believes he will not be able to renew his tenant's leases or sell his property because of the uncertainty with the Kunz/Lewis property. He urged the HRA to move quickly to resolve the issue.

Proponent Comment

Bill Beard, Beard Group WMEP's development coordinator, noted that Dr. Ken Dragseth, Edina School Superintendent, Dr. Terry Tofte, Edina School District Staff and WMEP Site Coordinator, Frank Bennett, Edina School Board Member and WMEP Board member; David Kramer, Hennepin County Library, and Bob Shadduck and Darcy Winter representing Jerry's Enterprises were all present to answer questions. Mr. Beard thanked the HRA for their support and asked for continued support of the WMEP project. He stated that WMEP realizes that it clearly cannot meet one of the conditions of the letter of intent. WMEP has been only able to secure \$7.8 million out of \$17.8 million in funding from the State. Mr. Beard said he realized that there could not be a guarantee that the 1999-2000 legislature will fund the remaining ten million needed to finance the project, it is very likely to happen based on the information available. He urged the HRA to adopt alternative two and move forward with the WMEP proposal. This would allow WMEP to begin site work, understanding that if the additional funding is not obtained during the 2000 legislative session, the property will revert to the HRA for the purchase price with WMEP absorbing the cost of any site improvements.

Vice Chair Maetzold asked Mr. Beard to respond to questions concerning the proposed WMEP project's design relating to parking and future expansion. Mr. Beard agreed that many questions still need to be researched. Parking is one, and expansion has not been looked at yet. So far the only issues reviewed were those necessary in developing the site conceptually.

Dr. Ken Dragseth, Superintendent of Edina Schools, stated he appreciated the difficulty of the decision before the HRA in light of WMEP's legislative funding issue. He asked that before moving onto a commercial or residential development the HRA consider the potential loss if the WMEP project is dropped. Dr. Dragseth suggested that Hopkin's or Minnetonka's jointly

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developed facilities be reviewed. He stated that these projects were developed totally without any state funding. The proposed WMEP project provides Edina with two additional gyms and a theater space that currently do not exist. These facilities would come at no cost to the community. The City also has been working over ten years to move the bus garage allowing redevelopment of that site. With the loss of the WMEP proposal the bus garage will stay in its current location. The School District has investigated for years where there is another area that meets the needs of student transportation and none has been found. No segment of Edina's community has been willing to have forty busses travelling in and out daily along with 75 to 100 cars parked from bus garage staff. In addition, it would cost more to operate the bus garage if it were moved out of this area. The School District does not intend to lose financially to move the bus garage. The WMEP site is a perfect location because of freeway access and its central location. Dr. Dragseth stated he believes the legislature will fund the additional ten million next year. The WMEP project is very creative and an innovative solution to community needs. He pointed out that if it is rejected in Edina, it will move to another community and that community will get the benefits of the school and facilities. He encouraged the HRA to continue the partnership with the Schools.

Commissioner Kelly commented that he agrees the City and School must work together. With respect to the school bus garage, would the School District consider another location if one could be found by the City that meets the District's criteria. Dr. Dragseth said the district will always be open to options.

Vice Chair Maetzold stated he has been a long time supporter of the southwest magnet school and would support alternative two. He opined that this would be an exciting educational concept, and a watershed event in intergovernmental partnerships cooperating to achieve more than any could alone. This would be an excellent opportunity for Edina to build a new library, senior center, gymnasiums, theater, and take care the of bus garage site.

Commissioner Hovland noted the HRA has been put in a difficult position adding that everyone must use their best judgement. He reminded that at one time four members of the HRA felt strongly enough that a letter of intent was authorized giving WMEP the opportunity to secure funding. However, WMEP was only able to secure partial funding. So what would be the basis for the HRA changing their minds. He asked would it be because they do not like magnet schools. He has not heard anyone speak so far who did not like magnet schools. Over 70% of the respondents in a recent poll wanted the school. (Then should WMEP be turned down because of the developmental risks. Commissioner Hovland noted that there are attendant risks with all the alternatives before the HRA.) He reminded that his first question had been how could the City hedge its risk if proceeding with alternative two. Commissioner Hovland said he believed the answer was sufficient to allow him to support option two. He added that he thinks letters of intent can be crafted to protect the City's TIF financing for the future. Commissioner Hovland stated that he would personally take the chance that this project can move forward as long as the reversionary right is in place. He would allow WMEP to do necessary site work, short of installing footings. Commissioner Hovland suggested that WMEP be required to pay all holding costs to the City. He acknowledged the League of Women Voters concern as expressed by Ms. Otness, stating that the HRA/Council has reviewed the cash flows of the Grandview Tax Increment District in the past and it was thought that the redevelopment of the bus garage site would make up for lost tax revenue from the WMEP site. Even if the bus garage site redevelopment did not make up for tax revenue he would not change his mind because if the Kunz/Lewis site was a fully-taxable development, individual property taxes would be reduced by only about \$10.00/household/year. Alternative four, the other alternative Commissioner Hovland would favor also has costs that need investigation. He pointed out that all projects must begin somewhere and he urged that the HRA continue to support WMEP, move forward, seeing if they can get funding in the next legislative session. Staff should craft the letters of intent to protect

the City as best as possible if legislature fails to fund the remaining ten million. This would also help Mr. Noonan and Mr. Wadsworth. Therefore, Commissioner Hovland stated his first choice would be alternative two. His second choice would be to have a purely public use for the property.

Commissioner Faust reminded that there has been no discussion how WMEP plans to fund the acquisition of the extra land. She said those costs were approximately three million dollars that are not funded. An estimate was given in 1997 that the cost of the parking deck of the garage was 2.5 million dollars. This cost is not part of the WMEP project and has not been addressed. Commissioner Faust asked who would be paying for this expense. She reported that she went over to the Minnesota House of Representatives when they were discussing this issue and they were very disdainful of building a magnet school in Edina. Commissioner Faust noted that neither the House nor Governor had the WMEP School in their budget; therefore she felt very pessimistic about getting funding in the next session. She also expressed concern over the cash flow analysis supplied to the HRA that showed a series of events that all needed to occur in order for the WMEP project to be affordable. One of the events that Commissioner Faust felt was most significant was that the redevelopment project needs to be fifty percent complete in the year 2000 and fully complete by the end of 2001. If we must wait until May 2000 for funding it would not be possible to meet those deadlines. Commissioner Faust stated that she would vote no on the WMEP project because Edina cannot afford it. She concluded that she could support alternative three or four.

Commissioner Kelly agreed with Commissioner Faust that he had a number of concerns about the project itself, but he also agreed with Dr. Dragseth's position that the City and School District must work together. However, there comes a time when a decision must be made. The City had a letter of intent that clearly stated WMEP must obtain funding. Unfortunately WMEP was not able to obtain funding from the legislature. Commissioner Kelly said that after speaking with many legislators he felt they were sending a message that WMEP funding was not a legislative priority because they knew the WMEP's letter of intent included the funding condition. If the WMEP project is not a legislative priority then the HRA must rethink whether or not it should be an Edina community priority. Commissioner Kelly also noted that although there was a letter of intent it was a non-binding letter, therefore, the reversionary term could perhaps be challenged. He stated that too much of the WMEP issues were still uncertain. He also expressed grave concern over change in the TIF law, based upon his experience in real estate development working on a number of commercial projects using TIF. While he believes that the staff could find a way to develop the school and gym, the problem he saw was that the HRA would need to commit so much of the increment to WMEP that there would not be enough to encourage other private development in the area. The project as proposed, would not allow the City much flexibility with any other private development within the Grandview District. He also advised against taking any extraordinary measures to get around the TIF law.

Commissioner Kelly also expressed concern regarding the Noonan and TAGs properties. He acknowledged the difficulty for landlords and tenants to maintain a business with the uncertainty of proposed development. These property owners are entitled to reasonable rapid action. He reminded the HRA when during previous discussions it was pointed out that the WMEP proposal would not be evergreen. If the HRA waits until 2000 for WMEP to obtain funding, then no ground would be broken for at least two years. In addition, Commissioner Kelly stated that under no terms would he spend tax payer dollars to acquire the Noonan or TAGs properties, if WMEP did not have final funding from the legislature. For these reasons he could no longer support alternative two. He hopes the WMEP project finds an alternative site and that funding comes through for them, but he can no longer support their proposal.

However, he noted that with respect to alternative two he would be willing to cook the proposal over a little more if the Edina School District would unconditionally convey to the City the school

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bus garage property. He indicated that he still would like to think over all the ramifications of the WMEP proposal, and would do so, but only if the school district would unconditionally convey the bus garage site to the City.

Vice Chair Maetzold restated Commissioner Kelly's proposal that the school bus garage property would be conveyed to the City. He asked if Commissioner Kelly thought there should be compensation to the School District for the property or should it be conditioned upon the School District finding a suitable replacement property. Commissioner Kelly replied the conditions would need to be negotiated, but most likely if WMEP proceeds, the City does not pay for the property, however, if WMEP were not to proceed a reasonable market value would be paid to the School District. He added that if WMEP collapsed the City would still acquire the bus garage much as a condemnation where the parties agree upon an appraised price but the sale would be mandatory.

Vice Chair Maetzold asked if any School District representative cared to respond to Commissioner Kelly's suggestion. Bill Beard noted that there appears to be more unanswered questions than answered questions. He said that the sequencing contemplated by the WMEP development team was that if alternative two were approved, WMEP would proceed to acquire the property from the HRA, go ahead demolish the building, and do remediation. Then, in order to get the property north of Eden Avenue onto the tax rolls, the bus garage would need to be relocated to the WMEP site so the private developer could acquire the current bus garage site. Under this scenario construction would begin in the spring of 2000 on a new bus garage on the WMEP property with the idea that when WMEP funding was obtained all the plans and blue prints would already have been approved and construction could begin during the 2000 construction season.

Commissioner Kelly asked Mr. Beard if WMEP intended to build physical structures before actual funding was received. Mr. Beard replied that WMEP believes very strongly that they will obtain funding from the legislature in 2000, therefore, the bus garage would be relocated early next spring so that the grading work could be done as soon as the remediation work is complete, perhaps even putting in footings and foundations this fall. However, if WMEP is not funded, the bus garage would have to be the platform for any future development on the Kunz/Lewis Property. The question would be whether or not it would fit into any alternative redevelopment plans.

Commissioner Kelly asked for clarification of Mr. Beard's sequencing. He said if WMEP were not able to obtain funding in the 2000 legislature according to the reversionary clause, the City would have the right to repurchase the property. The question was then would the City be purchasing back the Kunz/Lewis Property or the Kunz/Lewis property plus the school bus garage. Mr. Beard answered that the acquisition and subsequent conveyance of the properties would have to be worked out if alternative two were to move forward. He said that if WMEP acquired the Kunz/Lewis property it would hold property that would eventually house the senior center and library. WMEP would need to acquire the additional land through the HRA. At the same time the School District would be selling the school bus garage property to the private developer, and also acquiring a portion of the Kunz/Lewis site on which to construct their new bus garage. He apologized for the complexity of his answer. Commission Kelly said the answer was confusing and not what he had understood would be happening. He said he thought that WMEP would be acquiring the Kunz/Lewis property and the current school bus garage property and that at some point another developer would be brought in to talk about commercial redevelopment of the bus garage property. He asked Attorney Gilligan if that sequence was correct. Attorney Gilligan replied that he believed that the City thought a private developer would be acquiring the school bus garage site directly from the school district, or perhaps the HRA

from the School District, and then to a private developer, but WMEP would not be involved in any land transactions for the current bus garage site.

Commissioner Kelly stated that was what he had understood, so the question remains now whether or not the Edina School District would, as a condition of an extension to their letter of intent, unconditionally convey to the HRA the school bus garage property regardless of the outcome the WMEP proposal.

Executive Director Hughes asked if Commissioner Kelly meant the School District would extend an option to the HRA for terms agreed to, but that option would be unconditional as to whether WMEP is funded or not.

Commissioner Kelly said that was what he meant. The reason he would like to see this happen is because if WMEP craters and does not get funding the City has the unconditional right to obtain the school bus garage giving the City additional tax income in the Grandview area that would help support a more comprehensive public development on the Kunz/Lewis site. Then the question would be whether alternative four becomes more viable, as a totally public project including the gym space, senior center, and library. Commissioner Kelly noted that he thought the meeting was going to be more discussion and not action. He would be willing to consider this more if the School District could say whether or not it would consider granting such an option.

Mr. Beard stated he thought the logic could be acceptable if the bus garage would still have a site. Commissioner Kelly replied that if the School District believes so strongly in WMEP then let them give an unconditional option. He would not be willing to guarantee a bus garage site if WMEP fails.

Commissioner Hovland noted that one of the things that been previously expressed as a concern was the cost of acquiring the Noonan and TAGS properties. He suggested that as perhaps a way to temper the cost perhaps the school district would consider donating the bus garage site to assist in the purchase of the Noonan and TAGS properties by the HRA, if the funding is provided. Commissioner Kelly said that he would consider that, noting that it would also result in an unconditional option from the school district to the City. The City could not necessarily guarantee that it would build a bus garage on the site. He added that he perhaps would like to see the bus garage relocated elsewhere because it would not necessarily blend in with an attractive public facility. Commissioner Hovland thought that the bus garage as proposed by WMEP was pretty well hidden and most likely there will be a parking ramp above. Commissioner Kelly said he did not believe there would be sufficient economics to support a development with a parking ramp.

Commissioner Hovland asked what had been proposed on top of the bus garage in the WMEP proposal. Executive Director Hughes replied that it was similar to the ramp behind Jerry's, but instead of two levels above the garage there would be only one.

Commissioner Kelly reiterated that he would be willing to consider alternative two, but only if the School District were willing to grant an unconditional option on the bus garage to the City.

Frank Bennett, Edina School Board Member, said that while he appreciated the creativity of the option, he does not believe that during the five years he has been on the School Board there have been no serious discussion of outsourcing the District's transportation. The District now hires, trains, and supervises its own drivers. The District has been very efficient in its transportation. Some districts that had outsourced their transportation are now bringing them back in house. Mr. Bennett continued stating that unless another home could be guaranteed within the community the School District would not be willing to give up its current site.

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Commissioner Kelly stated that if the City proceeds with the deal and WMEP succeeds it's not an issue. If WMEP does not succeed, the school district will still have an additional period of time to locate an alternative site or outsource the transportation. Therefore, he believes what needs to be considered is whether the School District feels WMEP is important enough to offer the City an unconditional option for the bus garage. In order for Commissioner Kelly to support the WMEP proposal any further he needs to see this commitment from the school district.

Vice Chair Maetzold said he thought it was an excellent concept that he could support. It will take a little longer to make a WMEP decision, but it is worth investigating. Commissioner Kelly said he thought that the School District could be asked to consider granting the unconditional option at their next meeting so the City would be postponing its decision by only a month.

Commissioner Faust stated that she could not believe anyone would be contemplating an option that delays the decision any longer. She said it has been two years and on three different occasions WMEP has come before the HRA stating that if they did not get funding the deal would be considered dead. WMEP did not get funding so the time has come to make a decision.

Commissioner Hovland said he was willing to explore the idea because he still likes the idea of working with WMEP. He added that he did not think the issue is simple and that Commissioner Kelly's proposal is an interesting concept. Commissioner Hovland suggested that the HRA find out how important the Edina School District feels the WMEP proposal is to them. He is willing to talk about further.

Commissioner Kelly stated that he agreed with Commissioner Faust, but ever since the City is working on the WMEP he has also thought of the problem of the school bus garage. If the School District were willing to grant the City the option it would put an end to that issue conclusively. If WMEP does go forward one way or another the school bus garage is remedied.

Commissioner Faust responded that the HRA received a letter from Ernest Fischer on February 22, 1998. Mr. Fischer referred to the bus garage stating that eventually fiscal considerations will produce a buyer willing and able to provide the School District with an alternative location for its bus garage, including constructing new garage facilities without cost to the District. She said Mr. Fisher felt it was a valuable enough piece of property that someone would be willing to not only buy it, but also would provide the new facility. She noted that the 1997 estimated cost of building the parking deck of 2.5 million dollars has not been addressed in the WMEP proposal. Commissioner Faust said that she also believed eventually the bus garage will move. Perhaps in the future light rail transit will become reality and the site could be used as a station. She suggested to just let it sit for now, noting that the current site could be improved so it is not such an eyesore.

Frank Bennett said that he does not believe that the Edina School District Board will give the City an unconditional option. The Board cannot mortgage their future in that way. Mr. Bennett added that a new location would have to be a condition of any option. He believes that the Board would be willing to discuss the issue and come back to the City. However, Mr. Bennett suggested that the City go ahead and have their vote instead of waiting until the end of July. The School District's view has been that they were willing to relocate even though they did not need to in order to make the WMEP deal more attractive by creating taxable property north of Eden Avenue.

Commissioner Kelly asked if he were to understand that the Board would not be willing to consider his alternative. Mr. Bennett reiterated that he did not believe the Board could consider

granting an unconditional option and leaving the district with outsourcing as its only transportation alternative instead of their well run, safe program.

Vice Chair Maetzold thanked all discussion participants and noted the HRA needed to take action one way or another.

Motion made by Commissioner Hovland to proceed with the WMEP Project as per alternative two. Vice Chair Maetzold seconded the motion.

Ayes: Maetzold, Hovland

Nays: Faust, Kelly

Motion failed for lack of majority.

Commissioner Hovland made a motion rescinding the April 12, 1999, letters of intent with the Hennepin County Library Board, Jerry's Enterprises, and WMEP noting that the condition requiring WMEP obtain complete funding from the 1999 Minnesota legislature was not met. Motion seconded by Commissioner Kelly.

Ayes: Faust, Hovland, Kelly, Maetzold

Motion carried.

Motion by Commissioner Kelly to support alternative three rejecting the WMEP proposal and directing staff to solicit "final" proposals for the private development of the property and potentially some adjacent properties. Vice Chair Maetzold seconded the motion.

Commissioner Faust asked if alternative three were pursued could a private developer be required to include gymnasiums. Executive Director Hughes replied that the City could specify components meeting the City's goals in their invitation for proposals. However, this would not necessarily mean that a commercial developer would finance them.

Commissioner Kelly suggested that the HRA prioritize the desired public components. He noted that the HRA needed to be careful that it did not limit the square footage available for private development as to make the site unattractive. He said that he believed these contingencies were already incorporated in the staff report's alternative three. Commissioner Kelly questioned whether the HRA needs to issue a new RFP or talk to developers who had responded to the last request.

Commissioner Hovland indicated that his second choice would be alternative four that would use the Kunz/Lewis property for a purely public purpose. He would be willing to look at both alternatives three and four, noting the problem with this approach is that it takes time. He acknowledged Commissioner Faust's concern that a decision be made and redevelopment of some kind pursued.

Commissioner Kelly agreed that gymnasiums are needed, but he questioned whether they need to be part of the project built on the Kunz/Lewis property. He suggested gyms may be better utilized if built at a school. He would support a public and private development. Commissioner Kelly asked how quickly a response could be garnered from developers on a mixed use concept. Executive Director Hughes replied that the response time was dependent upon whether the HRA wished to limit proposals to finalists selected from the developers previously submitting proposals or if the HRA wished to invite additional developers proposals. He added that it had been previously suggested that the HRA pick three or four developers who had previously submitted proposals. Presumably these developers would have already done their preliminary work and could respond rather quickly with final proposals. Executive Director Hughes said he heard a desire from the HRA to pursue this option, but at the same time to have the City or HRA also propose a totally public project. He indicated that this approach could get rather

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cumbersome and also forestall interest from private parties. Executive Director Hughes requested that the HRA attempt to zero in on either alternative three or four.

Commissioner Kelly suggested that building additional gyms onto an existing school location might be a better use of resources. He urged that a public/private project be instigated. Get the senior center and library up and running, get the tax increment generated, then see if by increasing the general tax base a way can be found to put together the dollars needed to build gymnasiums at some existing school.

Vice Chair Maetzold stated he also preferred alternative four, but that he could support alternative three if the concept as described by Commissioner Kelly were embraced. The key thing would be to ensure that community needs are being met. If it is possible for the City to participate in financing the construction of two to four gyms at other locations then the mission is accomplished. However, he added that perhaps the scope of the senior center could be expanded to include some physical fitness activity areas. Expansion area also needs to be kept in mind when reviewing potential development options.

LeRoy Fish, 6017 St. Johns Avenue, suggested that if the HRA chose to proceed with alternative four it should be a "Community Center" and not just called a "Senior Center" because a community center would most likely garner more support. He urged that the HRA move forward with alternative four.

Commissioner Kelly agreed with Vice Chair Maetzold that the components the City would like to see included in a development need to be reviewed and ranked. He suggested the City should decide what the maximum square footage of a project would be acceptable to a private developer. Then the amount of area left to provide public components on the site could be reviewed and a prioritization of public components decided.

Commissioner Hovland stated he continued to have concern with proceeding with alternative three. Initially the WMEP proposal did not include the Senior Center or library until it expanded to include more property. If the HRA is looking only at the Kunz/Lewis site then he believes that alternative four that looks only at public purpose projects should be selected and not alternative three. Commissioner Faust asked if Commissioner Hovland would be willing to hold a referendum. Commissioner Hovland answered affirmatively that he believed the citizens should be allowed a chance to speak on the issue.

Vice Chair Maetzold stated he believed the community needs should be met first, then if any land is available private development should be pursued. He questioned whether there was some middle ground whereby community needs can be reviewed first to see if they can be accommodated on the Kunz/Lewis property with additional private development later. Vice Chair Maetzold suggested a two step process, first identifying community needs for space and then based on that premise private development be considered.

Commissioner Hovland said he could support Vice Chair Maetzold's suggestion. First look at public needs relative to available space and then if there is room allow private development to participate. Commissioner Faust asked if he meant the Kunz/Lewis property only or if TAGS and Noonan should also be included. Commissioner Hovland answered he meant only the Kunz/Lewis property.

Commissioner Faust stated that she believed TAGS and Noonan properties should be included in the review process. Vice Chair Maetzold agreed.

Commissioner Kelly pointed out that a joint effort was looked at previously with Life Time Fitness and North West Athletic. He added that if alternative four with a public purpose only is pursued then not only a building referendum would be required but also an operating levy would need approval. Vice Chair Maetzold asked if an excess levy could be built into a referendum. Executive Director Hughes answered the excess levy referendum could happen at the same time as the construction referendum. Attorney Gilligan added that a construction bond could be approved and then an operating levy could also be requested.

Commissioner Kelly stated that he could agree to alternative four, but timing is an issue. He suggested that the size of the property be increased to include Noonan and TAGS and new RFPs be invited in a double tracking approach. Commissioner Kelly reiterated that finding funds to construct the public components desired on the site would only be the first step because operating funds would also be needed. He indicated that a referendum could determine the extent of public support for this type of development.

Vice Chair Maetzold asked if an excess levy referendum can be conducted with a building referendum. Executive Director Hughes replied that he believed that a referendum could be held giving authority to increase the levy, and if successful that "additional levy" would be forevermore built into the city's base levy. Attorney Gilligan confirmed that a referendum could be held to sell bonds on the capitol cost and another question could be asked to allow the City to exceed levy limits to pay the operating costs.

Executive Director Hughes noted that it still seems that two directions are being pursued. He suggested that the focus be clarified to ensure the viability of the projects by perhaps doing a feasibility study on the ability of the various properties to sustain the proposed public facilities. This could ascertain whether private development could be added on top of the public projects. He suggested that this possibility be exhausted before inviting private developers into the mix. Commissioner Kelly noted that if the HRA waits for a feasibility study they stand a good chance of running into the December 31, 1999, deadline for use of TIF on the site. Executive Director Hughes said that he believes the local developers may surprise the HRA with their inventiveness.

Commissioner Kelly told the HRA that while he was very interested in a public project he was also concerned about timing. Holding a referendum, putting together a project and getting necessary contracts in place before the December 31, 1999, deadline seems tenuous. He suggested that if the size of the property were increased by including the Noonan and TAGs properties then inviting new proposals a more viable project will be proposed.

Commissioner Faust observed that everyone would like to see a public project, but action must be tempered with practicality. The time deadline of December 31, 1999, also concerns her. Commissioner Kelly said that the only other option he saw for the HRA to follow would be to conduct a feasibility study and have the developers propose some private development, but inform them that the amount of the development would be dependent upon the outcome of the referendum in November. Developers should propose a modular type of development that could be reduced or increased dependent upon the referendum outcome.

Commissioner Hovland asked what if the HRA waited until after the referendum before going to the developers. Commissioner Kelly said he was afraid if the HRA followed that route they would not have enough time to get final plans and contracts before year end. Commissioner Hovland asked if final plans were necessary to satisfy the new TIF law. Attorney Gilligan said final plans were not a requirement; the law requires a contract or a letter of intent. He reminded that the only things the new TIF law forbids financing are recreational facilities. The City could have a letter of intent with Hennepin County for the library; however, he expressed concern for the

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senior center. The HRA could have a letter of intent with the City, that may call into question the validity of the project.

Commissioner Faust asked what other HRA members envision for public facilities on the site. Commissioner Hovland agreed that the HRA still needs to work through what components should be included in a public project. He added that he believed this could be accomplished rapidly. Vice Chair Maetzold said that in his opinion the included components should be based upon community needs that have already been discussed. He added that the HRA needs to ensure that the community has the right facilities that keep residents invested in the community.

Ed Noonan, Noonan Construction, 5244 Eden Circle, commended the HRA for making a decision on the WMEP proposal. He urged the HRA to stop and review the public and private components to be included in the redevelopment. Look at the entire area before making any final decisions. This is the last chance to redo the area and Mr. Noonan urged the HRA to take the time to study the area and do it right.

Commissioner Kelly agreed with Mr. Noonan that more study is needed before a final decision is made. Executive Director Hughes pointed out that the City is preparing to conduct a public opinion survey and it would be very timely to include questions about the support for public and private development in that survey. Commissioner Faust suggested a public hearing to gather public input would also be in order. Vice Chair Maetzold summarized the HRA's consensus was to include questions in the public survey, evaluate the survey results, then set a public hearing date to gather further input before choosing a final course of action.

Commissioner Kelly withdrew his previous motion.

There being no further business on the HRA Agenda, Vice Chair Maetzold declared the meeting adjourned at 9:15 p.m.

Executive Director